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EXECUTIVE SUMMARY

This is the twentieth Semiannual Report to the Congress summarizing the activities and accomplishments of the National Archives and Records Administration (NARA) Office of Inspector General (OIG). The highlights of our major functions are summarized below.

Audits

We issued the following audit report during this reporting period:

- **Selected Aspects of NARA's Foreign and Domestic Travel** Our audit disclosed that all foreign travel by NARA employees was for official NARA business, and that employee travel expenses paid by non-federal sources were for NARA-related business. In addition, foreign travel was authorized in accordance with applicable Federal guidelines. In reviewing domestic travel, however, we found some weaknesses in management controls (Report #99-03, dated January 7, 1999).

We issued three management letters urging NARA's prompt attention to the following issues:

- Risks facing NARA's Records Center Reimbursable Program in FY2000 when it implements a revolving fund without financial information based on a full-cost accounting system (Management Letter #99-02, dated October 21, 1998);
- Compliance with recently enacted legislation, the Federal Activities Inventory Reform Act of 1998, requiring NARA to submit to OMB an inventory of NARA functional activities no later than June 30, 1999 (Management Letter #99-07, dated March 25, 1999); and
- Status of recently implemented management controls over change for cash registers (Management Letter 99-04, dated March 8, 1999).

EXECUTIVE SUMMARY

Investigations

We began this reporting period with 9 open investigations, initiated another 16 investigations, and closed 16 cases. During this reporting period, we

- Continued to review the validity of workers compensation claims that have been awarded to former NARA employees who incurred on-the-job injuries and to investigate two active workers compensation claims;
- Assessed physical security building procedures at Archives I and II, and based upon our review, recommended that NARA undertake a similar review;
- Investigated two reported thefts, two allegations of missing records, and an allegation of missing property; and
- Referred to the Federal Bureau of Investigation a letter we received that threatened the detonation of nuclear devices at numerous NARA and DOD facilities, beginning December 31, 1999.

Management Assistance

In our management assistance activities this reporting period, we

- Commented on a software piracy policy;
- Continued to actively participate in activities of the Records Center Reimbursable Project Team;
- Commented on NARA's draft of the interagency agreement that will be used next fiscal year to obligate customer Federal agencies to pay for the storage and servicing of their temporary records;
- Commented on NARA's draft of two regulations to set standards for agency records centers and on the storage of federal records; and
- Attended a NARA-sponsored public meeting to elicit informal comments and concerns on these proposed regulations.

EXECUTIVE SUMMARY

Inspector General Concern

Special Comment on Developments Affecting the Relative Independence of Inspectors General

Recently, questions have been raised about the independence of Inspectors General, especially those in Designated Federal Agencies (DFE). The first question arose from an American Institute of Certified Public Accountants proposal which suggests that presidentially appointed Inspectors General would be independent to satisfy Generally Accepted Auditing Standards, while DFE Inspectors General would not be independent to satisfy the standards, because they are appointed by the agency head, instead of the President.

The second question results from two recent rulings by the Federal Labor Relations Authority (FLRA). One situation involved a presidentially appointed Inspector General and the other one involved a DFE Inspector General. FLRA decided that Inspectors General are part of agency management, not independent within the agency. The U.S. Supreme Court is deciding the issue in the presidentially appointed Inspector General case. As for the DFE Inspector General case, an administrative law judge distinguished the case from the presidentially appointed Inspector General case, on the basis that DFE Inspectors General are appointed by the agency head, rather than the president, thereby lacking independence from agency management. Based upon the administrative law judge's rationale, FLRA would continue to regard DFE Inspectors General as part of management, notwithstanding the U.S. Supreme Court's decision, in the other case.

DFE Inspectors General believe the Inspector General Act Amendments of 1988 intended to provide them with the same level of independence as presidentially appointed Inspectors General. These developments have not yet affected our independence. However, questions from outside the Inspector General community about independence, especially of DFE Inspectors General are becoming more frequent.

At the present time, the General Accounting Office (GAO) is revising its GAO Government Auditing Standards, which include an independence standard. Under the Inspector General Act, all Inspectors General must follow the auditing standards. DFE Inspectors General are working with GAO on the revisions and GAO should address the independence issue. However, Congressional action may be required if Inspector General independence questions continue.

INTRODUCTION

About the National Archives and Records Administration

Mission

The National Archives and Records Administration (NARA) ensures, for the Citizen and the Public Servant, for the President and the Congress and the Courts, ready access to essential evidence.

Background

NARA, by preserving the Nation's documentary history, serves as a public trust on which our democracy depends. It enables citizens to inspect for themselves the record of what the government has done. It enables officials and agencies to review their actions and helps citizens hold them accountable. It ensures continuing access to essential evidence that documents the rights of American citizens, the actions of federal officials, and the national experience.

Federal records reflect and document America's development over more than 200 years and are great in number, diverse in character, and rich in information. These holdings include more than 4 billion pages of textual materials; over 112,000 reels of motion picture film; over 4 million maps, charts, and architectural drawings; over 200,000 sound and video recordings; over 9 million aerial photographs and nearly 7 million still pictures; and over 14,000 electronic files from more than 100 agencies and bureaus.

In addition, NARA involves millions of people in its public programs, which include exhibitions, tours, educational programs, film series, and genealogical workshops. NARA publishes the *Federal Register* and other legal and reference documents that form a vital link between the Federal Government and those affected by its regulations and actions. Through the National Historical Publications and Records Commission, NARA helps to preserve and publish non-Federal historical documents that also constitute an important part of our national heritage. NARA also administers the Nixon Presidential Materials Staff and 10 Presidential libraries, which preserve the papers and other historical materials of all past presidents since Herbert Hoover.

Resources

In fiscal year 1999, NARA was appropriated an annual budget of approximately \$245 million and Full-Time Equivalents (FTEs) of 1,933. The \$245 million included appropriations for operations, repairs and restoration of facilities, grants, reimbursable services, a gift fund, and a trust fund. NARA operations are spread throughout 33 facilities nationwide.

INTRODUCTION

About the Office of Inspector General

The OIG Mission

The OIG's mission is to ensure that NARA provides the American People with ready access to the history of America.

Background

The Inspector General Act of 1978, as amended, established the OIG's independent role and general responsibilities. The Inspector General reports to both the Archivist and the Congress. The OIG evaluates NARA's performance, makes recommendations for improvements, and follows up to ensure economical, efficient, and effective operations and compliance with laws, policies, and regulations. In particular, the OIG

- Assesses the effectiveness, efficiency, and economy of NARA programs and operations;
- Recommends improvements in policies and procedures to enhance operations and correct deficiencies;
- Recommends cost savings through greater efficiency and economy of operations, alternative use of resources, and collection actions; and
- Investigates and recommends legal and management actions to correct fraud, waste, abuse, or mismanagement.

Resources

The fiscal year 1999 OIG budget is approximately \$1 million for operations. The OIG has 13 FTEs. In addition to the Inspector General and support staff, seven of these FTEs are devoted to audits, and three to investigations. The OIG has a part-time Counsel to the Inspector General who provides internal legal guidance.

At the end of this semiannual reporting period there were two vacant audit positions in the OIG.

OFFICE OF INSPECTOR GENERAL ACTIVITIES

Involvement in the Inspector General Community

Amendments to the Inspector General Act

The Inspector General discussed with House and Senate staff pending legislation that would have consolidated the NARA OIG into the General Services Administration OIG. After that discussion a decision was made to leave the NARA OIG under NARA.

Office of Government Ethics

The Inspector General met with the Office of Government Ethics (OGE) to discuss their review of NARA's ethics program. OGE advised that NARA's ethics program was generally operating in compliance with the Ethics in Government Act of 1978.

U.S. General Accounting Office (GAO) Yellow Book Advisory Group

The Inspector General, as a representative of the Designated Federal Entity Inspectors General, attended a meeting on AICPA proposed revisions to Generally Accepted Auditing Standards pertaining to independence of its members.

Federal Dispute Resolution Conference Focus Group

The Inspector General participated in a Federal Dispute Resolution Conference Focus Group for agency leaders on workplace disputes.

Best Practices Meeting with General Services Administration (GSA) OIG

The Inspector General, the Assistant Inspector General for Audits, and the Audit Staff met with a representative from GSA's OIG to discuss work processes implemented by GSA OIG that have expedited their issuance of audits and other reports.

Coordination with the Federal Bureau of Investigation

The Inspector General and the Assistant Inspector General for Investigations met with representatives from the Federal Bureau of Investigation to coordinate future work assignments.

OFFICE OF INSPECTOR GENERAL ACTIVITIES

Review of Proposed Legislation and Regulations

We commented on

- a draft regulation concerning the storage of federal records and
- a draft regulation on agency records centers.

Both draft regulations are currently at the Office of Management and Budget for review. We also attended an informal public meeting hosted by NARA to solicit questions and concerns on the issues addressed in these regulations.

We also commented on

- guidelines drafted by the Chief Information Officer Council. When finalized, these guidelines will put into place additional controls to prevent and detect employee use of unlicensed software.

Other Activities

OIG Strategic Plan

During this reporting period, we finalized NARA's second strategic plan. In preparation, we considered NARA's strategic plan and focused our resources on projects which we believe will support NARA's ability to accomplish its mission. We believe that completion of these projects will enable us to maximize our positive impact while still ensuring the independence and objectivity of our work.

OIG Work Plan

Following completion of the OIG Strategic Plan, we presented NARA with a work plan that described the objectives of the audits, advisory reviews, consulting services, and fraud prevention activities that we plan to undertake this fiscal year. In preparing this plan, we considered and incorporated, as appropriate, suggestions received from NARA officials and members of Congress.

OFFICE OF INSPECTOR GENERAL

ACTIVITIES

Peer Review by the Securities and Exchange Commission OIG

Government Auditing Standards require that organizations conducting audits in accordance with these standards have an external quality control review at least once every 3 years by an organization not affiliated with the organization being reviewed. The OIG for the Securities and Exchange Commission completed such a review for the NARA OIG this period. This review concluded that our internal quality control system is effective.

Participation in a NARA Question and Answer Round Table Discussion

The Inspector General and the Assistant Inspector General for Investigations explained the role of the OIG at NARA to representatives from the AFGE Council 260, a union represents NARA employees.

Computer Systems Integrity Training

The Assistant Inspector General for Investigations completed training on effective techniques for checking for computer security weaknesses, identifying intrusion (hacking) attempts, and techniques for tracking the sources of suspect e-mails.

OIG Web Site

For further information about the OIG, please see our Web site at <http://www.nara.gov/ig/index.html>.

AUDITS

Overview

This period, we

- began an evaluation of the accuracy of performance measurement data used to monitor NARA's progress on implementation of the strategic plan,
- issued one final audit report,
- issued one draft audit report, and
- issued three management letters.

We also

- began a review of contractor compliance with *Government Auditing Standards*,
- began a review of NARA's Internal Controls Program for FY 1998, and
- began an evaluation of NARA's Year 2000 Project.

Audits are objective and systematic examinations of evidence for the purpose of providing an independent assessment of the performance of a government organization program, activity, or function in order to provide information to improve public accountability and facilitate decision-making by parties with responsibility to oversee efficiency audits, program audits, and program evaluations.

Advisory Reviews are OIG-initiated studies aimed at reviewing or analyzing agency programs and activities for the purpose of providing information to managers for decision-making; for making recommendations for improvements to programs, policies, or procedures; and for administrative action. They are usually broad in scope and use diverse approaches, e.g., surveys, evaluations of program effectiveness, identification of best practices, and research on critical business and economic issues affecting agency programs. We plan to conduct our first advisory review during the next reporting period.

Consulting Service Reviews are initiated by management and not by the OIG, and are designed to provide management with quick, up-front responses to specific program questions or monitoring assistance on ongoing initiatives. Services may be requested for assistance in reviewing a program, operation, or activity; fact-finding; or just collecting data for management decision-making or deliberation. Because consulting services are requested by management, they are able both to define and limit the scope of the consulting project. We plan to conduct our first consulting service review during the next reporting period.

AUDITS

Audit Summaries

Review of Selected Aspects of Foreign and Domestic Travel

The objective of this review was to determine if travel performed by NARA employees complied with applicable federal travel regulations. Specifically, we assessed the extent to which management controls were in place for ensuring that (a) foreign travel was performed only for official business; (b) NARA employee travel expenses, paid by other Federal agencies or private sources, were for NARA-related business; and (c) travelers were reimbursed for allowable miscellaneous travel expenses at authorized per diem rates.

Our review disclosed that all foreign travel by NARA employees was for official NARA business, and employee travel expenses, paid by non-federal sources, were for NARA-related business. Additionally, foreign travel was authorized in accordance with applicable federal guidelines. In reviewing domestic travel, however, we found some weaknesses in management controls. These weaknesses permitted some NARA employees to be reimbursed for expenses incurred for trips where (1) the employee either departed or returned at a time other than the period covered by the official portion of the trip and (2) the employee did not include the required cost comparison. Additionally, we found that these weaknesses permitted approval of travel

authorizations that included personal convenience departure and return dates.

At the conclusion of the review we recommended and NARA agreed that, when required, travel vouchers contain a cost comparison of actual costs incurred versus reconstructed costs. Additionally, NARA agreed to verify that the dates of travel included on travel authorizations match the dates of the official business trip (Report #99-03, dated January 7, 1999).

AUDITS

Management Letters

Records Center Reimbursable Program

On October 1, 1999, NARA will implement a revolving fund and begin charging Federal agencies for storage of their temporary records. Federal guidelines published by the Federal Accounting Standards Advisory Board (FASB) require that revolving funds utilize a cost accounting system. On October 21, 1998, the OIG advised the Archivist in a management letter that the Records Center Reimbursable Program may be at risk because it does not have a cost accounting system in place that will permit it to calculate and recover the full cost of program operations.

Once the revolving fund is implemented, it is critical that the price NARA charges its customers will permit NARA to recover all program operating expenses. NARA must be able to calculate and produce invoices that represent the full cost of providing the service. If the bills are too low, NARA may experience a cash flow problem. If the bills are too high, NARA faces competitive risk posed by private records storage concerns, as Federal agencies will then have the option of utilizing the private sector for storing their temporary records.

For many years, NARA has relied on the General Services Administration's (GSA's) accounting system for its accounting needs. Although GSA is currently developing a

system that will produce full-cost bills, that system will not be implemented and running until FY 2002. Consequently, NARA will be implementing the Records Center Reimbursable Program using estimated billings rather than full-cost billings.

AUDITS

Inventory of NARA Activities

On October 1, 1998, Congress enacted the Federal Activities Inventory Reform Act of 1998 (FAIR). FAIR codifies existing requirements of 1983 OMB Circular A-76 and an accompanying 1996 supplement titled Performance of Commercial Activities. FAIR requires agency heads to report to the Office of Management and Budget and to Congress an inventory of activities that, in the judgment of each agency head, are not inherently governmental activities. This report is due on June 30, 1999.

Because responsibility for reporting to OMB on FAIR, A-76, and related data calls had been inadvertently omitted from NARA's Delegations of Authority, no one at NARA had initiated an inventory of functional activities. When we met with NARA to discuss this issue, they informally concluded that this responsibility should have been delegated to the Policy and Communications Staff. Additionally, these managers asked the OIG to formally advise the Archivist of both the FAIR reporting requirements and the fact that reporting to OMB had not been included in the Delegations of Authority.

On March 25, 1999, we issued a management letter to the Archivist to emphasize the fact that NARA needs to take an inventory of its functional activities. The Archivist agreed to our recommendations. The Policy and Communications Staff initiated the project (Management Letter #99-07, dated March 25, 1999).

AUDITS

Management Controls over Change Used for Cash Registers

NARA has established 22 change funds at Presidential library gift shops and other locations where staff members accept cash from the general public. During a prior investigation of a shortage at one of these gift shops, we learned that the library director had not executed and submitted documentation to the central office that NARA could use to hold responsible cashiers financially accountable. We noted a systemic problem in the oversight of change funds. As NARA began to address this issue, we provided management assistance that resulted in the issuance of a management letter.

During the past year, NARA has taken several steps to strengthen its system of management controls over these change funds. For example, in 1998, NARA issued guidance to remind everyone of the important role that quarterly cash counts and other documentation play in establishing accountability. We met with NARA staff members to discover why required documentation was not being submitted to them. During this meeting, we discovered that, in spite of several reminders from the accountant, many NARA managers were not submitting quarterly cash counts and other required accountability documentation in a timely manner. To address this issue, we suggested that operating procedures be summarized in writing and amended to include steps the accountant should take when documentation is not submitted.

On March 8, 1999, we sent a management letter to the Assistant Archivist, Office of Administrative Services. We stated that operating procedures had been finalized and implemented, and that managers had submitted quarterly cash counts, along with other required accountability documentation, in a timely manner. Operating procedures,

which were previously verbal, were summarized in writing (Management Letter 99-04, dated March 8, 1999).



INVESTIGATIONS

Overview

We are currently continuing to actively investigate possible fraudulent workers' compensation injury claims. We believe that proactive work in this area has led to a downward trend in claims, as NARA has experienced a \$100,000+ decrease in expenses paid for injury claims over the past 2 years.

According to NARA's Budget Office, Office of Workmen's Compensation Program charge-back figures were \$707,018 for FY96, \$709,323 for FY97, and \$604,405 for FY 98, respectively.

Physical Security

This period we advised the Archivist of the United States that the physical security of NARA facilities, employees, researchers, and visitors may be at risk. We came to this conclusion after performing a preliminary assessment of security measures in place at Archives I and II. As criteria for making this assessment, we reviewed security procedures issued by NARA as well as security procedures issued by the Department of Justice (DOJ). We also reviewed a 1995 internal memorandum that outlined steps NARA should take to improve physical security, but found that many of these recommendations had not been completed. For some recommendations, NARA had not initiated action.

INVESTIGATIONS

To address physical security at NARA, we recommended and NARA agreed that a physical security task force should be established to resolve both immediate and long-term problems. We also recommended that NARA review current security procedures at the Archives I and Archives II buildings. Representatives from the union that represents NARA employees (AFGE Council 260) made similar recommendations to the Archivist.

Hotline

The OIG Hotline provides a prompt, effective, and confidential channel for reporting fraud, waste, abuse, and mismanagement to the OIG. In addition to receiving telephone calls at a toll-free Hotline number and letters to the Hotline post office box, we also accept e-mail communication from either NARA's internal network or the Internet through the Hotline e-mail system.

Operational controls protect the identity of Hotline sources. OIG special agents promptly and carefully review calls, letters, and e-mail to the Hotline. We investigate allegations of suspected criminal activity or civil fraud and conduct preliminary inquiries on non-criminal matters, to determine the proper disposition. Where appropriate, referrals are made to the OIG Audit Staff or to NARA management.

The following table summarizes Hotline activity for this reporting period:

Cases Opened	0
Cases Referred Outside of the OIG	29
No Action Necessary	101
Total Hotline Contacts	130

INVESTIGATIONS

INVESTIGATIVE CASE SUMMARIES

Thefts

We investigated two reported thefts. In one case, an employee admitted taking \$300 in cash receipts. That employee resigned pending administrative action. In addition, we investigated a theft of computer software, but closed the case administratively due to a lack of investigative leads.

Missing Records Allegations

Nazi War Criminals: We investigated an allegation that World War II records concerning Nazi war criminals were removed and possibly destroyed. During the investigation, we located the records, then closed the investigation.

Vietnam POW/MIA: We also investigated an allegation regarding missing POW/MIA records. Our investigation identified administrative deficiencies, but we did not find any evidence of missing records.

Bomb Threat

We received a letter threatening the detonation of nuclear devices at numerous NARA and DOD facilities, beginning December 31, 1999. The return address on the envelope indicated that the letter was from an institution for the criminally insane in Louisiana. We subsequently notified authorities at the Department of Defense; the U.S. Postal Service; the Bureau of Alcohol, Tobacco, and Firearms; and the Federal Bureau of Investigation (FBI) Bomb Task Force. The FBI assumed the investigation.

MANAGEMENT ASSISTANCE

Records Center Reimbursable Project Team

The Inspector General continued to participate on the Records Center Reimbursable Project Team. During this period, we commented on the interagency agreement that the Records Center Reimbursable Project has drafted to obligate customer Federal agencies to pay for the storage and servicing of their temporary records.

General Services Administration

Several OIG staff members attended a presentation on PEGASYS, the accounting system currently being developed by American Management Systems for General Services Administration. NARA purchases automated accounting services from GSA through a cross-servicing agreement and will be relying on the new system for all of its accounting needs.

REPORTING REQUIREMENTS

MANDATED BY

THE INSPECTOR GENERAL ACT OF 1978, AS AMENDED

<u>REQUIREMENT</u>	<u>SUBJECT</u>	<u>PAGES</u>
Section 4(a)(2)	Review of legislation and regulations	8
Section 5(a)(1)	Significant problems, abuses, and deficiencies	10-17
Section 5(a)(2)	Significant recommendations for corrective action	10-14
Section 5(a)(3)	Prior significant recommendations unimplemented	25
Section 5(a)(4)	Summary of prosecutorial referrals	21
Section 5(a)(5)	Information or assistance refused	25
Section 5(a)(6)	List of reports issued	22
Section 5(a)(7)	Summaries of significant reports	10-14
Section 5(a)(8)	Audit Reports-Questioned costs	23
Section 5(a)(9)	Audit Reports-Funds put to better use	24
Section 5(a)(10)	Prior audit reports unresolved	25
Section 5(a)(11)	Significant revised management decisions	25
Section 5(a)(12)	Significant management decisions with which the OIG disagreed	25

REPORTING REQUIREMENTS

STATISTICAL SUMMARY OF INVESTIGATIONS	
Investigative Workload	
Cases Pending	9
Allegations received this reporting period	37
Cases opened this reporting period	16
Cases closed this reporting period	16
Cases carried forward this reporting period	9
Categories of Investigations	
Fraud	8
Conflict of Interest	1

Value of Funds or Property Recovered

0

REPORTING REQUIREMENTS

Requirement 5(a)(4)

Summary of Prosecutorial Referrals

Two formal referrals of criminal cases were made this reporting period.

In the first case, involving theft, prosecution was declined in favor of administrative action, due to the low dollar value involved. The age and military background of the employee were also considerations of the Assistant United States Attorney (AUSA).

In regard to the second referral, a prosecutorial decision is still pending; the initial AUSA referred the matter to another office for evaluation.

REPORTING REQUIREMENTS

Requirement 5(a)(6) LIST OF REPORTS ISSUED					
Report No.	Title	Date	Questioned Costs	Unsupported Costs	Funds Put to Better Use
99-03	Review of Selected Aspects of Foreign and Domestic Travel	1/7/99	0	0	\$355

See page 11 for further details on this audit.

REPORTING REQUIREMENTS

Requirement 5(a)(8) AUDIT REPORTS WITH QUESTIONED COSTS			
Category	Number of Reports	DOLLAR VALUE	
		Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period	0	0	0
B. Which were issued during the reporting period	0	0	0
Subtotals (A + B)	0	0	0
C. For which a management decision has been made during the reporting period	0	0	0
(i) dollar value of disallowed cost	0	0	0
(ii) dollar value of costs not disallowed	0	0	0
D. For which no management decision has been made by the end of the reporting period	0	0	0
E. For which no management decision was made within 6 months	0	0	0

REPORTING REQUIREMENTS

Requirement 5(a)(9) AUDIT REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE		
CATEGORY	NUMBER	DOLLAR VALUE
A. For which no management decision has been made by the commencement of the reporting period	0	0
B. Which were issued during the reporting period	1	\$355
Subtotals (A + B)	1	\$355
C. For which a management decision has been made during the reporting period	0	0
(i) dollar value of recommendations that were agreed to by management	0	0
based on proposed management action	0	0
based on proposed legislative action	0	0
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of the reporting period	1	\$355
E. For which no management decision was made within 6 months of issuance	0	0

See page 11 for further details of this audit.

REPORTING REQUIREMENTS

REQUIREMENT	CATEGORY	SUMMARY
5(a)(3)	Prior significant recommendations unimplemented	None
5(a)(5)	Information or assistance refused	None
5(a)(10)	Prior audit reports unresolved	None
5(a)(11)	Significant revised management decisions	None
5(a)(12)	Significant revised management decisions with which the OIG disagreed	None